

FINALISING THE IOTC FINANCIAL REGULATIONS (2019)

PREPARED BY: IOTC SECRETARIAT

PURPOSE

Notwithstanding the 2019 adoption of the IOTC Financial Regulations by the Commission and their subsequent endorsement by the FAO Financial Committee, two clauses related to the payment of contributions (Annex, Reg 5) need to be confirmed by the Commission.

The SCAF18 is being asked to advise the Commission on:

- (1) the latest date contributions should be paid in each budget year
- (2) the date, in a budget year, when un-paid contributions will be in 'Arrears'.

BACKGROUND***Revision of the IOTC Financial Regulations***

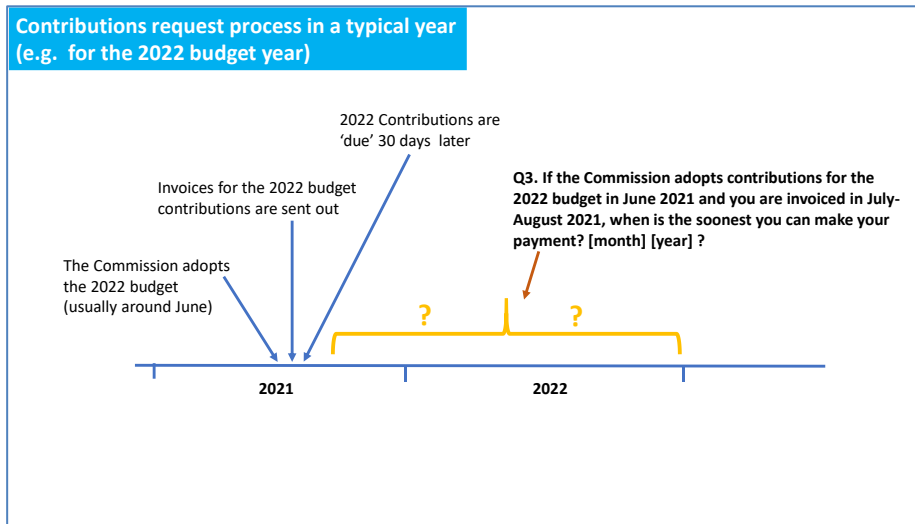
1. In June 2019, the Commission adopted new Financial Regulations which were subsequently approved by the Finance Committee of FAO at its 178th Session in November 2019.
2. Notwithstanding this endorsement, the IOTC Financial Regulations need to be finalised by way of two dates in Annex, Reg 5 being confirmed by the Commission.
3. At SCAF17 Members provided various date combinations; however, owing to the online meeting format, it was not possible to determine a consensus recommendation on a way forward, and therefore no recommendation on the dates was made to the Commission.
4. The Commission (S24) also considered various dates to be included in Annex Reg 5 before deferring further discussion to SCAF18. The Commission requested the SCAF to provide its advice on the matter in 2021, and to assist the SCAF's deliberations the Commission requested the Secretariat to provide the SCAF with additional information from IOTC Members.
5. To this end, the Secretariat issued a survey to obtain the following information from Members:
 - (1) When is your financial year? (Month to Month) e.g. January to December, April to March etc.
 - (2) Given your internal budgeting cycles, when is it possible to pay IOTC contributions once the table of contributions is adopted by the Commission. E.g. if the Commission adopts contributions for the 2022 budget in June 2021 and you are invoiced in July-August 2021, when is the soonest you can make your payment? – [month] [year]
 - (3) The SCAF has been asked to recommend two dates to finalise the IOTC Financial Regulations Annex Regulation 5; i.e. to advise on (1) the latest date contributions should be paid [date 1]; and (2) the date when contributions will be in 'Arrears [date 2]'. Refer to IOTC–2020–SCAF17–10. Please enter date 1 [day & month] — the latest date contributions should be paid.
 - (4) Please enter date 2 [day - month] — the date when contributions will be in 'Arrears'.

RESULTS OF THE SURVEY

6. Eleven members responded to the survey. The results are shown in the below table.

	France (OT)	European Union	United Kingdom	China	Maldives	Australia	Tanzania	Mauritius	Japan	Comoros	Sri Lanka	
Q2	When is your financial year? (Month to Month) e.g. January to December, April to March etc.	January to December	January to December	April to March	January to December	February to December	1 July to 30 June	July to June	1 July to 30 June	April to March	April	January to December
Q3	Given your internal budgeting cycles, when is it possible to pay IOTC contributions once the table of contributions is adopted by the Commission	October 2021	Dec 2021	Depends on when exactly the invoice arrives - ideally there would be a period of c.2 months to allow for internal processes etc but it could be quicker than that. So potentially between September - October	November	31 May 2022	November 2021	May, 2022	December 2021	April-May of next year	April	May 2022
Q4	The latest date contributions should be paid	1 March	1 March	1 March	1 June	31 December 2022	1 March	30th December	90 days after the Commission adopts contributions	June 30. We do not feel necessity to separate these two dates.	30 April	30 September
Q5	The date when contributions will be in 'Arrears	1 May	2 March	2 March	2 June	1 January 2023	2 March, or 1 day after the agreed date for the latest date of contributions. Australia recognises the difficulties some CPCs have in making their annual contributions, therefore, Australia is flexible in which dates are nominated and are happy to see this issue resolved.	30 June	After the proposed period of moratorium for the payment of contributions	June 30. We do not feel necessity to separate these two dates.	30 June	31 December

CONSIDERATIONS RELATED TO THE PAYMENT OF CONTRIBUTIONS



7. Figure 1 shows the process for requesting contributions made each year.

The implications of delays in receiving contributions

- 8. The budget of IOTC is entirely autonomous, and paid for exclusively by its Members, with no financial contributions derived from FAO. The FAO’s project cycle financial rules, which govern the administrative and financial processes of the IOTC, do not permit over-expenditure against contributions received within a given project. Therefore, when contributions are not paid before or at the start of the budget year, IOTC can face the risk of having to shut down its operations.
- 9. For example, FAO required a substantial amount of the 2022 budget at the start of 2022 to cover all salaries and existing contracts (for consultants and other service providers) for that year.
- 10. If Members are slow to pay their contributions, the only way to meet IOTC’s start of the year financial obligations (e.g. salaries and existing contracts) is to use the Working Capital Fund to provide financial cover until contributions are received. This requires the Working Capital fund to maintain a reserve of over \$1 million for this purpose and to guarantee staff costs.

Members are asked to recommend two dates to finalise the IOTC Financial Regulations Annex Regulation 5.

- 11. The SCAF is requested to advise on (1) the latest date contributions should be paid (date 1); and (2) the date when contributions will be in ‘Arrears (date 2)’.

The SCAF’s task is to determine:

- (1) the latest date contributions should be paid
- (2) the date when contributions will be in ‘Arrears’.

IOTC Financial Regulations (2019) Annex Reg 5:
Contributions shall be due and payable in full as soon as possible and not later than [date1] of the calendar year to which they relate. As of [date2] in the calendar year to which the contributions relate, the unpaid balance of such contributions shall be considered to be one year in arrears.

<p>Choose date 1 (date and month) <i>Contributions shall be due and payable in full as soon as possible and not later than this date</i></p>	<p>Choose date 2 (date and month) <i>As of this date, the unpaid balance of such contributions shall be considered to be one year in arrears</i></p>
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SUGGESTED ACTIONS BY THE STANDING COMMITTEE ON ADMINISTRATION AND FINANCE

That the SCAF:

- a) **RECOMMEND** to the Commission the dates to be included in Annex Reg.5 of the IOTC Financial Regulations, namely:
 - (1) the latest date contributions should be paid in each budget year
 - (2) the date, in a budget year, when un-paid contributions will be in 'Arrears'.